
CHAIRMAN'S STATEMENT

A Commitment to Deliver Quality



Chairman's Statement



On behalf of the Board of Directors, I am pleased to present to you AV Concept Holdings Limited's annual results for the year ended 31 March 2005.

Fiscal 2004/05 was a year of diversified growth and achievement for the Group. Turnover increased 29% to HKD\$2.3 billion year-on-year, and net profit increased 67% to HKD\$210 million. Earnings per share rose 56% to HK 51.9 cents.

The Board of Directors recommends a final dividend of HK 16 cents per share (2004: HK 8 cents per share) to be paid on or before 31 August 2005, subject to shareholders' approval at the forthcoming annual general meeting to be held on 23 August 2005. Together with the interim dividend of HK 2.8 cents per share paid during the year, the total dividend for the year will be HK 18.8 cents, representing a dividend yield of approximately 20% on the average closing price of HK\$0.95 per share as at year end.

The Group's results were a combination of net gain on disposal of investment in Reigncom shares amounting to HK\$173 million and net profit of HK\$37 million from its core operations.

Proceeds from the disposal of Reigncom shares and the profitable core businesses have made the already robust financial position of the Group even stronger. The Group is well placed to make investment and take advantage of new business opportunities that may come along.

Our marketing and distribution business recorded encouraging growth in turnover and market share during the year. Competition was intense and margins were squeezed. Backed by its extensive distribution networks and marketing expertise, the Group maintained its position as one of the leading distributors of Samsung Electronics products in Hong Kong and Southern China.

In respect of manufacture business, the Group has come a long way to building a digital electronic products business

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with our own identity. The Group has grown its ODM/OBM business to one with an annual turnover of over HK\$300 million. Past EMS experience has taught the Group to build quality products. It is the Group's strategy to drive the Group's design and manufacturing business to one that carries our own intellectual properties. Our product designs, engineering and branding are the ingredients that differentiate our products and these essential elements command a premium margin at today's market. In March 2005, our own brand MP3 players have won separately in two prestigious international design awards, being the "iF Design Award 2005" and the "Reddot Design Award 2005" for their superb product design and innovation. The strategy requires higher level of product development and marketing expenses. These expenses are considered investments for the long term benefit to the Group's digital electronic products business.

In the coming fiscal year, significant progress is expected of our OBM business in Japan following the launch of the Group's flagship brand "SIGNEO" in June 2005. Furthermore, we entered into a cooperative arrangement with our long-term business partner, BreconRidge Manufacturing Solutions Corporation, to further develop our EMS business. We believe our innovative designs, combined with our manufacturing capabilities and our ever-growing presence in the Asian market, will help the Group consolidate its position not only as a world-class manufacturer of high quality digital electronic products, but also as a holder of innovative, award-winning brands of digital audio players. Looking into the future, the Group will seek to expand the current product portfolio of its manufacturing business to cover a greater variety of products. We will proactively explore opportunities in niche markets with the aim of enhancing shareholders' value.

Our business is continuously evolving in concert with market trends. The commitment of our staff to quality and their ability to adapt and change are what enabled AV concept to become and maintain its status as an industry leader over the years. We are delighted to have been named one of Hong Kong's "Outstanding Enterprises" in November 2004 by one of the leading financial publications in Hong Kong.

Here, I would like to express my heartfelt gratitude to our staff for their hard work. I am confident that as a team, we are well poised to bring substantial, long-term returns to our shareholders.

So Yuk Kwan

Chairman

Hong Kong

28 July 2005